

Press Release

Bishweshwar Lal Steels

April 09, 2019

Rating Assigned



Total Bank Facilities Rated*	Rs. 30.00 Cr.
Long Term Rating	ACUITE BB / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB**' (read as **ACUITE double B**) to the Rs. 30.00 crore bank facilities of BISHWESHWAR LAL STEELS (BLS). The outlook is '**Stable**'.

Based out of Chennai (Tamil Nadu), BLS was established in 1987 as a partnership firm. It is engaged in whole sale trading of steel products such as Metal Sheet and Plate, HR coil, MS Angle and Crane Rails to name a few. The firm is a distributor for JSW Steel and JSW Steel and Power Limited (JSPL) for the past two decades.

Analytical Approach

Acuité has considered standalone business and financial risk profile of BLS to arrive at the rating.

Key Rating Drivers

Strengths

- **Established track record and experienced management:**

Established in 1987, BLS has over three decades of operational track record as steel dealers. The firm is managed by promoters, Mr. Arun Gupta and Mr. Deepak Gupta, who have more than three decades of experience in steel industry.

- **Established relationship with suppliers and customers:**

BLS has established relationship with suppliers and customers over its three decades of operations. The firm majorly caters to demand for both organised and unorganised players majorly in South India. BLS has also established healthy relationship with its suppliers for over two decades and is an authorised dealer in South India for JSPL and in Chennai for JSW.

Weaknesses

- **Thin profitability and intensely competitive industry:**

BLS operates in thinly profitable industry due to trading nature of the business and intensely competitive industry with number of organised and unorganised players. PAT margin stood constant at 0.54 percent in FY18 due to highly fragmented industry, which limits the scope for margin expansion.

Liquidity Position:

BLS has comfortable liquidity marked by modest net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.3.93 crore during FY2016-18. The company had long term debt obligations of Rs.0.13 crore in FY2018. The cash accruals of the company are estimated to remain between Rs. 0.90-1.70 crore, while its repayment obligations are expected to be NIL in the medium term, as the company is not expected to undertake debt funded capital expenditure in the short term. The working capital operations are comfortable as marked by Gross Current Asset (GCA) days of 85 in FY2018. The cash credit limit in the company remains fully utilised during the last 6 months period ended December 2018. The current ratio of the company stood at 2.04 times as on March 31, 2018. Acuité believes that the liquidity of the company is likely to remain comfortable over the medium term on account of adequate cash accrual sufficient to meet its repayments over the medium term.

Outlook: Stable

Acuite believes that the outlook on BLS will remain 'Stable' over the medium term on account of its established track record of operations and healthy relationship with suppliers and customers. The outlook may be revised to 'Positive' if there is improvement in profitability while increasing the scale of operations. Conversely, the outlook may be revised to 'Negative' if there is deterioration in profitability and scale of operations.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	229.02	217.11	175.47
EBITDA	Rs. Cr.	6.57	5.43	4.21
PAT	Rs. Cr.	1.24	1.24	1.04
EBITDA Margin	(%)	2.87	2.50	2.40
PAT Margin	(%)	0.54	0.57	0.59
ROCE	(%)	11.76	9.80	16.51
Total Debt/Tangible Net Worth	Times	1.82	2.56	2.47
PBDIT/Interest	Times	1.26	1.34	1.38
Total Debt/PBDIT	Times	5.06	7.70	8.37
Gross Current Assets (Days)	Days	85	125	108

Status of non-cooperation with previous CRA (if applicable):

CRISIL vide its press release dated January 17, 2019 has stated that, "Despite repeated attempts to engage with the management, CRISIL failed to receive any information on either the financial performance or strategic intent of BLS, which restricts CRISIL's ability to take a forward looking view on the entity's credit quality. CRISIL believes information available on BLS is consistent with 'Scenario 1' outlined in the 'Framework for Assessing Consistency of Information with CRISIL BB' category or lower. Therefore, on account of inadequate information and lack of management cooperation, CRISIL has migrated the rating on bank facilities of BLS to 'CRISIL BB+/Stable Issuer not cooperating'."

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	12.50	ACUITE BB/Stable
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	0.20	ACUITE BB/Stable
Channel/Dealer/Vendor Financing	Not Applicable	Not Applicable	Not Applicable	9.80	ACUITE BB/Stable
Channel/Dealer/Vendor Financing	Not Applicable	Not Applicable	Not Applicable	7.50	ACUITE BB/Stable

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About Acuité Ratings & Research:

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